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No. 96-969

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

TEXAS INSTRUMENTS INCORPORATED,
Petitioner,

v.

CYPRESS SEMICONDUCTOR CORPORATION,
LSI LOGIC CORPORATION, and
VLSI TECHNOLOGY, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

JOINT BRIEF FOR THE RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

In the decision below, the Federal Circuit held that adjudication of patent infringement issues by the United States International Trade Commission ("the ITC") in exclusion actions under Section 337 of the Trade Reform Act of 1974, 19 U.S.C. § 1337, does not preclude a federal district court from making its own determination of such issues in subsequent actions for damages under 35 U.S.C. §§ 271, *et seq.* The Federal Circuit's holding was consistent with 20 years of precedent from both the ITC itself and every circuit to address the issue. The question presented is whether this Court should overturn that settled precedent even though (1) nothing in the text of Section 337 suggests that ITC orders should have preclusive effect in patent cases; (2) the legislative history of Section 337 specifically states that such orders should *not* have preclusive effect in district court actions; (3) Congress recently enacted a statute permitting the ITC *record* to be introduced as evidence in subsequent district court patent proceedings, 28 U.S.C. § 1659(b), which would be unnecessary if ITC *orders* in patent cases had preclusive effect; and (4) the ITC, which is charged with applying Section 337, has stated that its orders should not have preclusive effect in district court actions.

RULE 29.1 STATEMENT

Cypress Semiconductor Corporation, LSI Logic Corporation, and VLSI Technology, Inc., have no parent or subsidiary corporations required to be listed under Rule 29.1 of this Court.

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JOINT BRIEF OF THE RESPONDENTS IN OPPOSITION

The respondents, Cypress Semiconductor Corporation ("Cypress"), LSI Logic Corporation ("LSI"), and VLSI Technology, Inc. ("VLSI"), respectfully request that this Court deny the petition for a writ of certiorari filed by petitioner Texas Instruments Incorporated ("TI").

STATUTORY PROVISIONS INVOLVED

In addition to 19 U.S.C. § 1337, set forth at Pet. App. 94a-105a, Section 321(b)(1)(A) of the Uruguay Round Agreements Act, 28 U.S.C. § 1659, is relevant to this petition. That statute is reproduced at page 1a of the Appendix to this brief.

STATEMENT OF THE CASE

TI brought this action against the respondents, who are manufacturers of semiconductor devices, alleging infringement of two patents: United States Letters Patent 4,043,027 ("the '027 patent") and 3,716,764 ("the '764 patent"). The two patents claim different aspects of a process of encapsulating electronic semiconductor devices in plastic.

After a jury verdict for TI, the district court granted the respondents judgment as a matter of law, finding that TI had failed to prove that the respondents' accused processes infringed either of the patents in suit. [Pet. App. 63a] The United States Court of Appeals for the Federal Circuit affirmed, agreeing with the district court that, as a matter of law, TI had failed to prove infringement. [Pet. App. 1a]

TI's petition does not challenge the lower courts' conclusion that TI failed to prove infringement of either patent on the record below. The sole basis for the petition is the Federal Circuit's conclusion that a prior decision concerning one of TI's patents by the United States International Trade Commission ("ITC") had no preclusive effect in this action.

The ITC Proceedings

At the same time that TI filed its district court action against the respondents, TI initiated an action under 19 U.S.C. § 1337 with the ITC. TI's ITC complaint alleged that the respondents had engaged in unfair methods of competition and unfair acts by importing and selling encapsulated circuits produced by processes covered by the '027 patent. [Pet. App. 7a] TI did not include the '764 patent in the ITC action because it had already expired.

Two types of processes of plastic encapsulation were at issue in the ITC proceeding. While the two processes shared common characteristics, they differed in one critical respect: In the process known as "opposite-side" or "bottom" gating, fluid plastic is injected into a mold through a cavity on the *opposite* side of the lead frame from the semiconductor device being encapsulated. In the process known as "same-side" or "top" gating, fluid plastic is injected into the mold cavity on the *same* side of the lead frame as the semiconductor device. [Pet. App. 70a]

In response to the ITC proceeding, the respondents, which previously had used an opposite-side gating process, began converting to a same-side gating process. [Trial Testimony of T.J. Rodgers, May 2, 1995, at 2016:13-22; 2051:13-2052:11, reprinted in Appendix at 2a-3a] By the time the ITC issued its final determination in 1992, the respondents had successfully converted their manufacturing processes so that they no longer were using the opposite-side gating process, but instead relied solely on the same-side gating process for the devices that they imported into the United States. [App. 2a-3a]

This change had a dramatic effect on the strategy the respondents pursued during the ITC proceeding. Unlike district courts, the ITC's only authority is to issue an exclusion order barring the future importation of infringing devices; it has no

authority to award damages for past infringement. *See* 19 U.S.C. § 1337.[1] As a result of the respondents' ongoing conversion to same-side gating, and in light of the purely prospective nature of the relief available in the ITC, TI's claims that this new process infringed were far more important in the ITC proceeding than were TI's claims that the old *opposite*-side process infringed.

The respondents proved to the ITC that the same-side gating process did not infringe the claims of the '027 patent. [Pet. App. 75a] Accordingly, the ITC refused to order the respondents to stop importing devices that used this process. The ITC further found, however, that the respondents' old *opposite*-side process literally infringed one claim of the '027 patent and infringed another claim under the doctrine of equivalents. [Pet. App. 79a-80a] Accordingly, the ITC ordered that the respondents cease importing devices using the *opposite*-side process. [Pet. App. 67a-68a] The ITC decision was appealed to the Federal Circuit, but the Federal Circuit affirmed in all respects. [Pet. App. 92a]

The District Court Action

The district court action had a much different focus than the ITC proceeding. While the ITC proceeding focused primarily on the same-side gating process, in the district court trial only respondents' past use of the *opposite*-side gating process was at issue (TI having abandoned its claim that the same-side gating process infringed). Further, the district court, unlike the ITC,

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[1] One reason the ITC lacks any authority to award damages is that a Section 337 action is an *in rem* proceeding against the imported goods, and not an *in personam* action against any company or individual. *See* 19 U.S.C. § 1337. A district court action, of course, is an *in personam* proceeding in which the full range of equitable and legal remedies is available.

had the power to award damages for the respondents' past use of the now-abandoned *opposite*-side gating process — if that process was found infringing. Finally, the district court action also involved claims regarding the expired '764 patent. Accordingly, in the district court action, the respondents introduced new evidence and made additional arguments to defend their past use of the opposite-side gating process. On this different and expanded record, the district court found that TI had failed to offer sufficient evidence of infringement of either patent to avoid judgment against it as a matter of law. [Pet. App. 47a-54a]

The Federal Circuit Decision

TI appealed the district court's judgment to the Federal Circuit, which, in a unanimous decision, affirmed the district court's judgment in its entirety. [Pet. App. 22a] In particular, the Federal Circuit rejected TI's argument that the ITC decision as to the '027 patent should be given issue preclusion effect.

The Federal Circuit began its analysis by noting that under this Court's decision in *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104, 110 (1991), "an administrative agency decision, issued pursuant to a statute, cannot have preclusive effect when Congress, either expressly or impliedly, indicated that it intended otherwise." [Pet. App. 19a] The Federal Circuit found such a contrary intent in the legislative history of the Trade Reform Act of 1974. The court therefore reiterated the conclusion it had reached in six previous cases that, based on that legislative history, Congress did not intend decisions of the ITC on patent issues to have preclusive effect in subsequent district court proceedings. [Pet. App. 19a-20a]

The Federal Circuit rejected TI's argument that changes to ITC procedures since 1974 and the intervening formation of the Federal Circuit itself compelled a different result:

> "While those changes have modified some ITC procedures and provided the ITC with the same appellate court of review as that of district courts deciding patent issues, none of these statutory amendments or their legislative histories dealt with the possible preclusive effect of ITC determinations or indicated an intent contrary to Congress's stated intention in 1974. Thus, the rule that decisions of the ITC involving patent issues have no preclusive effect in other forums has not changed." [Pet. App. 20a]

The Federal Circuit also rejected TI's argument that this holding would allow district courts to disregard Federal Circuit decisions reviewing ITC determinations. That argument, the court explained, ignores the doctrine of *stare decisis*: While earlier ITC determinations have no preclusive effect in the district courts, district courts are required to treat earlier claim constructions of the Federal Circuit as *stare decisis*. [Pet. App. 21a-22a] The Federal Circuit held that the district court did not violate *stare decisis* because its claims construction was fully consistent with the court's previous construction of the patent claims in issue during its review of the ITC decision. [Pet. App. 22a]

TI sought rehearing and rehearing *en banc*, which were denied without recorded dissent. [Pet. App. 93a] This petition followed.

REASONS FOR DENYING THE WRIT

This Court twice has denied petitions for certiorari urging that ITC orders in patent cases be given preclusive effect. *Bio-Technology Gen. Corp. v. Genentech, Inc.*, 117 S. Ct. 274 (1996); *Weslo, Inc. v. Diversified Prods. Corp.*, 498 U.S. 897 (1990). This petition likewise should be denied:

1. The Federal Circuit has exclusive jurisdiction over all patent appeals. Thus, there could not be any conflict between the circuits on the preclusive effect of ITC patent decisions. While other circuits have held that *non-patent* decisions of the ITC should be given preclusive effect, these circuits have all recognized that Congress intended that *patent* decisions be given no preclusive effect.

2. The circumstances giving rise to this petition are far too rare to merit the attention of this Court. The ITC resolves few Section 337 investigations each year, and many of these investigations are terminated without the issuance of an order that could be given preclusive effect. As a result, preclusive effects of ITC decision could arise — if at all — in only a *de minimis* number of cases each year.

3. The Federal Circuit's holding is consistent with this Court's holding in *Astoria Federal Savings & Loan Ass'n v. Solimino* that the judicial presumption in favor of giving agency determinations preclusive effect must give way when Congress even implicitly suggests a contrary intent. Here, Congress's intent not to give ITC decisions preclusive effect is evident from explicit and authoritative statements in the legislative history of the original Trade Act of 1974. Moreover, according preclusive effect to ITC determinations would be inconsistent with a 1994 amendment to the Act. That amendment allows the introduction of the record of ITC proceedings into evidence in a subsequent district court action, which would be unnecessary if ITC decisions in patent cases had preclusive effect.

4. For two decades, the ITC itself has taken the view that its determinations in patent cases should be given no preclusive effect. The ITC's reasonable construction of the scope and legal effect of its own statutorily-authorized orders is entitled to controlling weight. *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 844 (1984).

5. Both petitioners and respondents in ITC patent proceedings have long relied on the ITC and Federal Circuit's view that ITC rulings have no collateral estoppel effect. In this case, for example, the respondents had little incentive to wage a full fight before the ITC because they had converted to another process. The ITC does not have the authority to award damages, but can only order the exclusion of *future* imports. Accordingly, the respondents reasonably focused their efforts in the ITC on the new, same-side gating process, leaving the focus on the old, opposite-side gating process for the district court proceeding, in which they risked damages liability. Because of such reliance and fairness concerns, and because Congress can easily change the rules prospectively if necessary, the longstanding administrative and judicial constructions should "'not be disturbed except for cogent reasons.'" *Zenith Radio Corp. v. United States*, 437 U.S. 443, 457-58 (1978) (quoting *McLaren v. Fleischer*, 256 U.S. 477, 481 (1921)); *see also Hilton v. South Carolina Pub. Rys. Comm'n*, 502 U.S. 197, 202 (1991). No such reasons are present here.

I. THE DECISION BELOW DOES NOT CONFLICT WITH THE DECISIONS OF ANY OTHER CIRCUIT.

TI contends that the decision in this case conflicts with the decisions of three other circuits. But TI ignores that the Federal Circuit has exclusive jurisdiction over all patent matters, 28 U.S.C. § 1295(a)(1), including the question TI presents in its petition:

> "Whether *patent-infringement* adjudications of the [ITC] are entitled to preclusive effect in subsequent district court *patent-infringement* litigation . . . ." [Pet. i (emphasis supplied)]

Given the Federal Circuit's exclusive jurisdiction, no other circuit would even have authority to render a decision on patent

issues, let alone a conflicting decision. *See* ROBERT L. STERN, EUGENE GRESSMAN, STEPHEN M. SHAPIRO & KENNETH S. GELLER, SUPREME COURT PRACTICE § 4.3 at 167 (7th ed. 1993) ("there must be a real or 'intolerable' conflict on the same matter of law or fact, not merely an inconsistency in dicta or in the general principles utilized").

A closer examination of the cases cited by TI confirms the absence of any conflict. Every one of the appellate cases TI cites involved non-patent decisions of the ITC; none involved an ITC determination of patent issues. *See Aunyx Corp. v. Canon U.S.A., Inc.*, 978 F.2d 3 (1st Cir. 1992), *cert. denied*, 507 U.S. 973 (1993) (antitrust); *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985) (trademark); *Baltimore Luggage Co. v. Samsonite Corp.*, Nos. 91-2171, 91-2190, 1992 WL 296368 (4th Cir. Oct. 16, 1992) (result noted in table at 977 F.2d 571) (trademark).[2]

In any event, these courts recognized that Congress distinguished between patent and non-patent ITC determinations, giving preclusive effect only to the latter. For example, in *Union Manufacturing*, the first case to address whether non-patent determinations of the ITC had preclusive effect, the Second Circuit affirmed that:

> "Patent validity determinations of the ITC are properly not accorded *res judicata* effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it. . . .

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[2] TI also cites *In re Convertible Rowing Exerciser Patent Litigation*, 814 F. Supp. 1197 (D. Del. 1993), a district court case that could not possibly result in an inter-circuit conflict because the Federal Circuit would have exclusive jurisdiction over any appeal in that case.

> Indeed, Congress has granted the district courts *exclusive* original jurisdiction over patent validity cases." 763 F.2d at 45.[3]

The other cases cited by TI either have confirmed this distinction between patent cases and other kinds of determinations or have simply relied on *Union Manufacturing*. *See Baltimore Luggage Co. v. Samsonite Corp.*, 727 F. Supp. 202, 206-07 (D. Md. 1989) (distinguishing ITC patent cases on the basis of congressional intent to bar preclusive effect of patent determinations), *aff'd*, 977 F.2d 571 (4th Cir. 1992) (tbl.); *Aunyx*, 978 F.2d at 7 (relying solely on *Union Manufacturing*).

II. THE PRECLUSIVE EFFECT OF ITC ORDERS IN PATENT CASES IS NOT AN IMPORTANT AND RECURRING ISSUE.

TI contends that the issue it presents is both recurring and important. [Pet. 25] To the contrary, the circumstances giving rise to this petition are far too rare to merit the attention of this Court. The ITC resolves only a few Section 337 investigations each year, and in most of those cases, the parties either settle or the litigation otherwise ceases following the entry of the ITC's order.

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[3] The Second Circuit found no such bar to preclusive treatment of non-patent decisions of the ITC:

> "The jurisdictional bar to *res judicata* treatment of ITC patent validity determinations simply does not apply to other decisions of the ITC. The ITC has full authority to decide trademark claims concerning imported goods, and the jurisdiction of federal district courts over unfair trade practice and trademark cases is not exclusive." *Id.*

According to the most recent information available from the ITC, it currently has only ten pending Section 337 cases. *See* <http://www.usitic.gov> (visited Dec. 31, 1996) (Jan. 1997 Monthly Calendar, Section V, Status of Investigations). This is a typical workload for the ITC. The most recent ITC Annual Report records that the ITC completed only ten Section 337 investigations in fiscal year 1995. 1995 ITC Ann. Rep., tbl. 3 at 42-43. That same year, the ITC commenced only nine new Section 337 investigations. *Id.* tbl. 4 at 45; *see also* 1994 ITC Ann. Rep., tbl. 3 at 47-49 (16 investigations completed), *id.* tbl. 4 at 50 (9 investigations pending, of which 8 were patent cases); 1993 ITC Ann. Rep., tbl. 3 at 45-46 (12 investigations completed), *id.* tbl. 4 at 47-48 (15 investigations pending, of which 12 were patent cases).

The number of even this small amount of ITC orders that could have a preclusive effect is few. Not all Section 337 investigations result in an ITC order. In 1995, for example, of the ten investigations completed by the ITC, the ITC issued only seven orders. The other investigations were resolved by settlement. The percentage of ITC investigations that resulted in final orders was even lower in previous years. Only half of the investigations completed in 1993 and 1994 resulted in ITC orders. 1994 ITC Ann. Rep., tbl. 3 at 47-49; 1993 ITC Ann. Rep., tbl. 3 at 45-46. And if, as TI itself asserts [Pet. 25], only one-third of all ITC cases have accompanying district court litigation, the issue of preclusion would arise in at most only two or three cases per year — a *de minimis* amount.[4]

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[4] Even if *every* ITC investigation had accompanying district court litigation, the number of cases in which preclusion could be an issue — seven in 1995, eight in 1994, and six in 1993 — is hardly significant.

Even these small numbers overstate the importance of the issue. TI does not cite any other pending matter that would be affected by a decision on this issue. This is because it is the rare case indeed that is fully relitigated following the issuance of an ITC order. In the large majority of cases the potential of relitigation evaporates — usually by settlement — upon entry of an ITC order.

In any event, in many patent cases claims construction effectively resolves the issue of infringement. Under *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996), claims construction is an issue of law on which the Federal Circuit's construction (upon review of the ITC decision) has binding effect as *stare decisis* in any subsequent district court action. Accordingly, after *Markman*, the issue of whether preclusive effect should be given to ITC decisions has even less importance.[5]

III. THE DECISION BELOW IS CONSISTENT WITH THE DECISIONS OF THIS COURT.

As this Court recognized in *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104 (1991), whether a particular agency determination has preclusive effect in subsequent litigation depends on congressional intent. Although courts may presume that agency determinations have preclusive effect, that presumption is "properly accorded sway only upon legislative default," or, in other words, where Congress has failed to express its intention either expressly or implicitly. *Id.* at 110.

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[5] TI also claims that this Court should grant certiorari to prevent "duplicative" litigation. TI ignores, however, that it — and not the respondents — caused duplicative litigation in this case. TI could have obtained both injunctive and damage relief in district court, but chose to file in the ITC as well.

> "[C]ourts do not, of course, have free rein to impose rules of preclusion, as a matter of policy, when the interpretation of a statute is at hand. In this context, the question is not whether administrative estoppel is wise but whether it is intended by the legislature." *Id.* at 108.

Thus, in *Astoria Federal Savings*, this Court held that state administrative findings in age discrimination cases should not be afforded preclusive effect because, while the statute itself evidenced no express statement on this issue, the filing requirements of the statute implied a congressional intent not to give administrative determinations any preclusive effect. *Id.* at 110-11. Similarly, in *University of Tennessee v. Elliott*, relied on by TI, this Court found that the structure of Title VII implied a congressional intent not to give preclusive effect to unreviewed state administrative decisions in employment matters. 478 U.S. 788, 795-96 (1986).[6]

Here, as in *Astoria Federal Savings* and *Elliott*, Congress has clearly expressed its intent that ITC patent determinations receive no preclusive effect. Congress's intent is apparent from the legislative history underlying the Trade Reform Act of 1974. Section 337(e) of that Act, 19 U.S.C. § 1337(e), gives the ITC

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[6] This Court went on to hold that state factfinding *would* have issue preclusive effect on claims under other statutes where no contrary congressional intent was evident. 478 U.S. at 796-99. In so holding, this Court followed *United States v. Utah Const. & Mining*, 384 U.S. 394, 421-22 (1966). But neither *Elliott* nor *Utah Construction & Mining* (the other case TI argues is inconsistent with the decision below) suggests that collateral estoppel applies to all administrative adjudications, even where, as here, Congress intended no preclusive effect.

the power to exclude imports that appear to infringe valid American patents. But Congress also made clear that it did not intend such decisions to bind federal district courts in subsequent patent suits seeking damages and injunctive relief.

During hearings before the Senate Committee on Finance, Harvey Kaye, an eminent patent attorney, expressed his concern that

> "decisions rendered by the Court of Customs and Patent Appeals [now the Federal Circuit], when appeals are taken to it from section 337 proceedings, may become binding in a subsequent action in the Federal district courts, for example, in an infringement action. It does not appear that this particular point was addressed in the House committee report, and we, therefore, bring it to your attention. We assume that this result is not desired, and we have, therefore, included in our statement suggested language for the event that this committee does not desire that the Federal courts in a subsequent infringement action be bound by an appeal to the Court of Customs and Patent Appeals." *Trade Reform Act of 1973: Hearings before the Committee on Finance of the United States Senate*, 93d Cong., 2d Sess. 1999, 2002 (1974).

In response, the Senate Report on the Trade Reform Act of 1974, clarified *twice* that Congress did not want decisions of the ITC — or of the Federal Circuit's predecessor, the Court of Customs and Patent Appeals, on appeals from the ITC — to have any *res judicata* or collateral estoppel effect. *First*, using language similar to that recommended by Mr. Kaye, the Senate Report stated:

> "Under the Committee bill, decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 *should not serve as res judicata or collateral estoppel* in matters where U.S. District Courts have original jurisdiction." S. REP. NO. 1298, 93d Cong., 2d Sess. (1974), *reprinted in* 1974 U.S.C.C.A.N. 7186, 7212 ("Senate Report") (emphasis supplied).

District courts, of course, have original (and exclusive) jurisdiction over all patent matters. 28 U.S.C. § 1338(a).

Second, the Senate Report stated Congress's particular intention that ITC determinations not be given any preclusive effect in *patent* cases brought before the ITC:

> "The Commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether § 337 is being violated."
>
> ". . . The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that *any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases*

> *before such courts*." Senate Report at 7329 (emphasis supplied).[7]

Citing *Shannon v. United States*, 512 U.S. 573, 583 (1994), TI argues that it was improper for the ITC and the Federal Circuit to rely on this legislative history in determining Congress's intent. Unlike *Shannon*, however, this is not a case in which legislative history is being used to add new legal requirements unlinked to the statutory text. Section 337 plainly authorizes the ITC to issue exclusion orders, and Congress plainly gave district courts exclusive jurisdiction over patent suits for damages. The question is how the two proceedings relate — an issue on which the statutes are silent. To fill in this statutory gap, TI relies on the judicially created "default" rule that administrative proceedings have preclusive effect in subsequent federal court actions. Under *Astoria Federal Savings*, however, this "default" rule applies only where Congress did not state or imply *any* intent that ITC decisions not be given preclusive effect. 501 U.S. at 110. The ITC and the Federal Circuit, properly relying on the legislative history, determined that Congress intended that ITC decisions not be given preclusive effect.

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[7] The House Report similarly stated that the ITC could not make binding decisions on validity and enforceability:

> "The President is not empowered under existing law — *nor would the Commission be under the amendment* — to set aside a patent as being invalid or to render it unenforceable. The extent of the Commission's authority is to take into consideration such legal defenses and to make findings thereon for the purposes of determining whether Section 337 is being violated." H.R. REP. NO. 571, 93d Cong., 1st Sess. 78 (1973) (emphasis supplied).

Apart from the legislative history, the structure of the statutes governing the relationship between ITC and district court patent adjudications confirms Congress's intent not to bind the district courts to ITC patent determinations. TI correctly notes that in the Uruguay Round Agreements Act of 1994, Congress added a provision allowing the respondent in an ITC proceeding to stay a district court proceeding involving the same issues as the ITC proceeding. 28 U.S.C. § 1659(a). TI, however, ignores the second part of the statute, which provides that after the stay is lifted,

> "the record of the proceeding before the [ITC] shall be transmitted to the district court and shall be admissible in the civil action . . . to the extent permitted under the Federal Rules of Evidence and the Federal Rules of Civil Procedure." 28 U.S.C. § 1659(b).

If Congress had intended that the *outcome* of ITC proceedings be given preclusive effect, there would be little reason to admit the underlying ITC *record* into evidence. The ITC record is important because the parties must relitigate patent cases on their merits in district court. *Cf. Astoria Federal Savings & Loan Ass'n*, 501 U.S. at 111 (no preclusive effect given to administrative determination where the governing statute "plainly assume[d] the possibility of federal consideration after state agencies have finished theirs").[8]

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[8] Commentators have noted that the purpose of this new section was to reduce the burden of district court litigation in hearing patent claims — a purpose that obviously presumes that patent issues still will be litigated by the district court after ITC proceedings are completed. *See* Tom M. Schaumberg, *A Revitalized Section 337 to Prohibit Unfairly Traded Imports*, 77 J. PAT. & TRADEMARK OFF. SOC'Y, 259, 266 (1995) ("this 'could

Thus, recent amendments remove any doubt that Congress intended that ITC proceedings not be given preclusive effect. *See Loving v. United States*, 116 S. Ct. 1737, 1749 (1996) (looking to subsequent legislation in interpreting prior statute); *Consumer Product Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 118 n.13 (1980). Section 1659 provides precisely the type of structural evidence of congressional intent relied upon by this Court in *Astoria Federal Savings* and *Elliott*.[9]

IV. THE FEDERAL CIRCUIT HAS PROPERLY DEFERRED TO THE ITC'S LONGSTANDING AND REASONABLE CONSTRUCTION OF ITS STATUTORY AUTHORITY.

For 20 years, the ITC has consistently held that its administrative decisions in patent matters under Section 337

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expedite proceedings and provide useful information to the court'"); Ralph A. Mittelberger & Gary M. Hnath, *Changes in Section 337 as a Result of GATT — Implementing Legislation*, 22 AIPLA Q. J. 465, 485-86 (1994) ("A respondent in a section 337 investigation is spared some of the burden of duplicative litigation in a second way . . . . [But] the 1994 amendments do not eliminate the possibility that a respondent could be forced to litigate before both the Commission and the court.").

[9] Section 1659 was not in effect in this case because it applies to ITC investigations initiated after January 1, 1995. Nevertheless, it suggests Congress's intent regarding preclusion as of December 1994, when the statute was enacted. This case was tried in 1995.

Even if the meaning and effect of Section 1659 were debatable, that would provide still another reason to decline review. As far as the respondents are aware, *no* court has discussed what effect Section 1659 has on issue preclusion. This Court should not be the first to do so.

should not have preclusive effect in later district court litigation. Both the ITC and its administrative law judges have taken this position in numerous formal administrative decisions. *See, e.g., Certain Synthetic Gemstones*, USITC Pub. 957, Inv. No. 337-TA-50 (ITC March 1979) ("any such determinations made 'for the purposes of section 337' would not be regarded as being binding interpretations of the U.S. patent laws, nor would they have a res judicata or collateral estoppel effect before a Federal Court").[10] The ITC has taken the same position as a litigant and amicus. *Corning Glass Works v. USITC*, 799 F.2d 1559, 1570 n.12 (Fed. Cir. 1986) ("the ITC takes the position that its decisions have no *res judicata* effect"); *Baltimore Luggage Co. v. Samsonite*, 727 F. Supp. at 205 (noting that the ITC filed an

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[10] *Accord Certain Bismuth Molybdate Catalysts*, Inv. No. 337-TA-20 (Recomm. Determination of the Presiding Officer, May 26, 1976) (same); *Monolithic Catalytic Converters*, Inv. No. 337-TA-18 (Recomm. Determination of the Presiding Commissioner, Aug. 27, 1976) ("it seems clear that any disposition of a Commission action by a Federal Court should not have res judicata or collateral estoppel effect"); *Certain Erasable Programmable Read Only Memories*, Inv. No. 337-TA-276 (Recomm. Determination, June 22, 1990) ("determinations in Commission actions in patent-based Section 337 investigations cannot have a res judicata or collateral estoppel effect"); *Certain Polymer Geogrid Prods. & Processors*, Inv. No. 337-TA-303 (Commission Opinion, Aug. 2, 1991) ("[o]ur decision to do so is made easier by the longstanding rule that our determinations on patent validity have no res judicata effect on the enforcement of patents in district court"); *Certain Elec. Connectors*, Inv. No. 337-TA-374, Order No. 31 (Initial Determination, Oct. 27, 1995) ("the Commission's decision would have no preclusive effect as to patent issues").

amicus brief "urging . . . that rulings of the ITC not be given preclusive effect").[11]

The ITC's longstanding, consistent and reasonable position should be given "controlling weight" under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 844 (1984). "Judicial deference to reasonable interpretations by an agency of a statute that it administers is a dominant, well-settled principle of federal law." *National R.R. Passenger Corp. v. Boston & Maine Corp.*, 503 U.S. 407, 417 (1992). "If the administrator's reading fills a gap or defines a term in a way that is reasonable in light of the legislature's revealed design, we give the administrator's judgment 'controlling weight.'" *NationsBank of N.C. v. Variable Annuity Life Ins. Co.*, 115 S. Ct. 810, 813-14 (1995) (quoting *Chevron*, 467 U.S. at 844).

Such deference is particularly appropriate when the preclusive effect of the agency's own orders is at issue. *See* Restatement (Second) of Judgments § 20, cmt. d (1982) ("a judgment may not have an effect contrary to that prescribed by the statutes, rules of court, or other rules of law operative *in the jurisdictions in which the judgment is rendered*") (emphasis supplied).

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[11] *See also* Amicus Brief of the ITC, *Mag Instrument, Inc. v. J. Baxter Brinkman Int'l Corp.*, 123 F.R.D. 543 (N.D. Tex. 1988) (No. CA3-86-427 G); Amicus Brief of the ITC, *In re Convertible Rowing Exerciser Patent Litig.*, 721 F. Supp. 596 (D. Del. 1989) (MDL No. 623).

V. THIS COURT SHOULD NOT DISTURB SETTLED PRECEDENT OR DISRUPT THE REASONABLE EXPECTATIONS OF ITC LITIGANTS WHEN CONGRESS CAN MAKE ANY NECESSARY CHANGES.

Not only has the ITC consistently held since the 1970s that its determinations in patent cases have no preclusive effect, but the Federal Circuit has so stated no less than six times in addition to the decision below. *Bio-Technology Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1564 (Fed. Cir. 1996); *In re Convertible Rowing Exerciser Patent Litig.*, 903 F.2d 822, 822-23 (Fed. Cir. 1990); *Texas Instruments, Inc. v. USITC*, 851 F.2d 342, 344 (Fed. Cir. 1988); *Tandon Corp. v. USITC*, 831 F.2d 1017, 1019 (Fed. Cir. 1987); *Lannom Mfg. Co. v. USITC*, 799 F.2d 1572, 1577-78 (Fed. Cir. 1986); *Corning Glass Works*, 799 F.2d at 1570 n.12. And even before the Federal Circuit gained exclusive jurisdiction over patent cases, the Ninth Circuit had adopted the same position. *Stevenson v. Grentec, Inc.*, 652 F.2d 20, 23 (9th Cir. 1981) (affirming district court holding that patent was invalid even though ITC and CCPA had previously concluded otherwise because those decisions were "not, however, binding" in subsequent litigation).

Litigants before the ITC are entitled to rely on this longstanding rule and to tailor their litigation strategy accordingly. In this case, for example, the ITC action involved allegations that two different processes infringed TI's '027 patent: (i) the old, opposite-side gating process, which respondents had used to make parts imported in the past, and (ii) the new, same-side gating process, which respondents would use to manufacture products imported in the future. [App. 2a-3a] Because the ITC can only prevent future importation of infringing products — and cannot award damages for past conduct — the respondents focused most of their effort in litigating whether the same-side gating process infringed TI's

patents. The opposite-side gating process, which the respondents were phasing out, was of less concern — as long as a determination on this issue would have no preclusive effect. Notably, the respondents prevailed on the same-side gating issue and lost on the opposite-side gating issue. Of course, had the respondents believed that the ITC's ruling on the opposite-side gating process would also determine whether damages should be awarded TI by the district court, the respondents would have adopted a markedly different, and more aggressive, litigation strategy.

Given litigants' reasonable reliance on the ITC's longstanding rule — consistently reaffirmed by the Federal Circuit — it would be inappropriate for this Court to grant the petition and reverse the Federal Circuit. This Court recognizes the importance of settled expectations in reviewing both administrative and judicial interpretations of a statute. *E.g., Zenith Radio Corp. v. United States*, 437 U.S. 443, 457-58 (1978) ("In light of these substantial reliance interests, the longstanding administrative construction of the statute should 'not be disturbed except for cogent reasons'"); *Hilton v. South Carolina Pub. Rys. Comm'n*, 502 U.S. 197, 202 (1991) ("*[s]tare decisis* has added force when the legislature, in the public sphere, and citizens, in the private realm, have acted in reliance on a previous decision, for in this instance overruling the decision would dislodge settled rights and expectations or require an extensive legislative response").

In light of the longstanding interpretation of the Trade Act by both the ITC and the Federal Circuit — an interpretation that has never been changed and has been reaffirmed by the 1994 amendments — this Court should respect the settled expectations of ITC litigants and refuse TI's invitation to reverse nearly two decades of settled law. Should the effects of the rule be as perverse as TI claims, Congress can surely alter it — prospectively. *See Patterson v. McLean Credit Union*, 491

U.S. 164, 172-73 (1989) ("Considerations of *stare decisis* have special force in the area of statutory interpretation, for here, unlike in the context of constitutional interpretation, the legislative power is implicated, and Congress remains free to alter what we have done").

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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